

Message Text

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20

ACTION EA-14

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CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 IO-14 FEA-02 AEC-11 DODE-00 FPC-01 H-03 INT-08

L-03 PM-07 SAM-01 SCI-06 PA-04 USIA-15 PRS-01 DRC-01

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 7995

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

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AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: EINV MY

SUBJ: PRIME MINISTER AND NEW PETRONAS CHIEF SPEAK ON FOREIGN
INVESTMENT

REF: A. KL 4493

B. KL 4351

1. SUMMARY: PRIME MINISTER RAZAK AND NEW PETRONAS CHIEF
TENGKU RAZALEIGH ADDRESSED PRESTIGIOUS AUDIENCE SEPT 17
ASSEMBLED FOR FINANCIAL TIMES CONFERENCE
ON SOUTHEAST ASIAN RESOURCES. IN DIGNIFIED, MODERATE TONES
RAZAK NOTED THAT WHILE HIS GOVT WOULD CONTINUE WELCOME FOREIGN
INVESTMENT IT BELIEVES IN ECONOMIC NATIONALISM IN GUIDING
THE EXPLOITATION OF NATURAL RESOURCES INCLUDING GOVT MAJORITY
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OWNERSHIP AND CONTROL OF ALL PETROLEUM-RELATED PROJECTS.

ENSURE THAT LATTER ARE LOCATED IN MALAYSIA IF ECONOMICALLY FEASIBLE. RAZALEIGH LAMBASTED ARROGANCE OF FOREIGN INVESTORS BUT ASSURED ALL THAT GOM WOULD NEVER BREAK ITS WORD BY EXPROPRIATING THEM. END SUMMARY.

2. OPENING THE FINANCIAL TIMES-MALAYSIAN AIRLINE CONFERENCE ON SOUTHEAST ASIAN RESOURCES SEPT 9, PRIME MINISTER RAZAK STATED THAT WHILE MALAYSIA CONTINUED TO WELCOME FOREIGN INVESTMENT, GOM ALSO BELIEVES IN ECONOMIC NATIONALISM AND SEEKS AN EQUITABLE MIXTURE OF FOREIGN AND DOMESTIC AS WELL AS PUBLIC AND PRIVATE ENTERPRISE. HE ALSO ANNOUNCED THAT IN ORDER TO ENSURE THAT MALAYSIANS THEMSELVES BENEFIT FROM DEVELOPMENT OF PETROLEUM, NEW NATIONAL PETROLEUM CORP (PETRONAS) WILL SEEK MAJORITY OWNERSHIP AND CONTROL OF ALL OIL PROJECTS THROUGH JOINT VENTURES WITH LOCAL AND FOREIGN CAPITAL. THE GOM WOULD SEE WHENEVER ECONOMICALLY FEASIBLE THAT DOWNSTREAM ACTIVITIES WILL BE LOCATED IN MALAYSIA ITSELF. WHILE CONCLUDING BOTH THAT SOUTHEAST ASIA'S RELATIONS WITH FOREIGN INVESTORS HAVE BEEN GENERALLY SATISFACTORY AND THAT THERE IS AN ENDURING BASIS NOT ONLY FOR ACCELERATED ECONOMIC AND SOCIAL DEVELOPMENT IN THE REGION BUT ALSO FOR CONSTRUCTIVE PARTICIPATION WITH THE INDUSTRIAL WORLD, TUN RAZAK ALSO EMPHASIZED THAT THERE MUST BE A NEW ORDER GOVERNING THE RELATIONS BETWEEN INVESTORS AND HOST COUNTRIES AND, REGARDLESS OF WHETHER THE INVESTOR IS FOREIGN OR DOMESTIC, THE INVESTMENT MUST BE MUTUALLY BENEFICIAL TO BOTH THE ENTREPRENEUR AND THE HOST COUNTRY.

3. AT CONFERENCE DINNER THAT SAME NIGHT, NEW PETRONAS CHIEF AND RAZAK FAVORITE 36-YEAR OLD TENGKU RAZALEIGH HAMZAH (REF B) ECHOED MANY OF THE SAME THEMES BUT ALSO LAMBASTED JAPAN, THE U.S. AND OTHER WESTERN NATIONS FOR DISPLAYING "HABITS OF ARROGANCE FASHIONABLE IN THE OLD DAYS OF NAKED EXTERNAL HEGEMONY". REFERRING TO RECENT NATIONAL FRONT ELECTION VICTORY, RAZALEIGH ASKED RHETORICALLY WHETHER INVESTORS COULD ASK FOR MORE THAN "POLITICAL STABILITY UNDERPINNED BY MASSIVE POPULAR SUPPORT" AND CLAIMED THAT "IF WE GIVE OUR WORD THAT CAPITAL WILL NEVER BE EXPROPRIATED--YOU KNOW THAT OUR WORD WILL BE GOOD".

4. COMMENT: RAZAK'S AND RAZALEIGH'S SPEECHES BEFORE PRESTIGIOUS LIMITED OFFICIAL USE

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INTERNATIONAL AUDIENCE ARE PUBLIC ELABORATIONS OF DEVELOPING NATURAL RESOURCES POLICY. GOVT'S RATIONALIZATION OF PETROLEUM POLICY IS INDICATED IN THE NEW ACT CREATING NATIONAL PETROLEUM CO. (PETRONAS), WHICH IS UNDER DIRECT CONTROL OF THE PRIME MINISTER. FOR NEW FOREIGN INVESTMENT IN AREAS OTHER THAN NATURAL RESOURCES GIVT POLICY CONTINUES TO REQUIRE JOINT PARTICIPATION, PREFERABLY WITH BUMIPUTRAS (INDIGENOUS MALAYS). GOVT PREFERS TO APPLY POLICY EVEN TO 100 PERCENT EXPORT PROJECTS,

THOUGH PARTICIPATION IN THESE PROJECTS IS SUBJECT TO
NEGOTIATION. WE WILL PROVIDE MORE DEFINITIVE COMMENT FOLLOWING
CONFERENCE AND ALSO PLAN TRANSMIT TEXTS OF SEVERAL SPEECHES TO
WASHINGTON.
UNDERHILL

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